



News Release

National Aeronautics and Space Administration
Office of Inspector General
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Roberta L. Gross
Inspector General
(Phone: 202-358-1220)

Samuel A. Maxey
Assistant Inspector General for Investigations
(Phone: 202-358-1233)

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Civil Lawsuit Filed Involving NASA Contractors

The Department of Justice filed a civil lawsuit today against Boeing North American, Inc. and Rockwell International, Inc. for concealing fraud by a subcontractor on contracts for the National Aeronautics and Space Administration Space Shuttle Program and Space Station Freedom Program. In addition, United Space Alliance, the current contractor under the space shuttle and space station programs, was sued for its obligations to repay the false claims as a successor company. A copy of the U.S. Department of Justice press release is attached.

The investigation is being conducted by Special Agents of the NASA Office of Inspector General, with the assistance of the Defense Contract Audit Agency, the Small Business Administration Office of Inspector General and the United States Postal Inspection Service. The civil complaint is being handled by Joel D. Hesch, Trial Attorney, United States Department of Justice, Washington, DC, (202) 307-0275.

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Department of Justice

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JUSTICE DEPARTMENT FILES CIVIL SUIT AGAINST BOEING NORTH AMERICA, UNITED SPACE ALLIANCE, ROCKWELL INTERNATIONAL FOR FRAUD

NASA Contracts at Issue

WASHINGTON, D.C. -- The Department of Justice has filed a civil lawsuit against Boeing North American Inc. and Rockwell International Inc. for concealing fraud by a subcontractor on contracts for the National Aeronautics and Space Administration Space Shuttle Program and Space Station Freedom Program. In addition, United Space Alliance, the current contractor under the space shuttle and space station programs, was sued for its obligations to repay the false claims as a successor company.

Acting Assistant Attorney General David W. Ogden of the Civil Division said the complaint, filed in U.S. District Court in Los Angeles yesterday, alleged that the subcontractor, Omriplan, submitted invoices for millions of dollars in fraudulent costs, including personal expenses which were commingled with corporate accounts, resulting in overbilling and unallowable expenses. Rockwell International knowingly submitted to NASA false claims which included these improper expenses.

In the 1980's and early 1990's NASA contracted with Rockwell to manage and operate the space shuttle and space station programs. The contracts were "cost plus award fee" type contracts, and were valued at more than \$4 billion, with over \$350 million in award fees or bonuses available to Rockwell based upon its performance, including how well it managed costs and monitored its subcontractors. Rockwell subsequently merged with Boeing, and Boeing

assumed these NASA contracts. In 1996, Rockwell entered into a partnership with Lockheed Martin to form United Space Alliance, which assumed these NASA contracts.

According to the complaint, between 1986 and 1993, Rockwell hired Omniplan Corporation, a small business, to perform subcontract work under the space station and shuttle programs. Rockwell agreed to pay Omniplan for its costs spent in performance of the NASA contracts on behalf of Rockwell. Rockwell told NASA that Omniplan's performance in areas of cost control and management were excellent, and that all of the costs of Omniplan were reasonable, allowable and allocable to the NASA contracts.

According to the complaint, however, included in the Rockwell invoices to NASA, were millions of dollars in fraudulent costs of Omniplan. For instance, Omniplan established phoney companies in order to lease buildings and equipment to itself at inflated values. In 1995, the owner of Omniplan, Ralph Montijo, pleaded guilty to about 180 felony violations of United States laws regarding its fraudulent practices. The owners of Omniplan also commingled millions of dollars in personal expenses with its corporate accounts. For instance, the fraudulent schemes included Omniplan operating a pizza delivery company out of a building Rockwell was billing to NASA. Omniplan also included in its general and administrative account millions of dollars in unallowable expenses incurred by Omniplan's owners, including costs relating to personal homes, a ski lodge, expensive jewelry, and numerous personal vacations to places such as Nepal, Singapore, and Argentina.

The complaint alleges that Rockwell was aware of many of these improper costs, including the pizza company being operated out of the building billed to NASA, the personal expenses, and the exorbitant, non-arms length leases.

Boeing North American and Rockwell International are based in Seal Beach, Calif. United Space Alliance is headquartered in Houston, Tex.

The complaint resulted from an investigation by NASA Office of Inspector General Office of Criminal Investigations, assisted by the Defense Contract Audit Agency, the Small Business Administration Office of Inspector General and the U.S. Postal Inspection Service.

Under the False Claims Act, the government is entitled to treble damages plus civil penalties ranging from \$5,000 to \$10,000 per violation.

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